

## **\$30M to refinance soaring mortgages**

**May 12, 2007**

**By Jason Method**

**Staff Writer**

**Asbury Park Press**

New Jersey will launch a \$30 million rescue program for residents struggling to pay adjustable-rate or interest-only mortgages, state officials announced.

Department of Community Affairs Commissioner Susan Bass Levin said Friday the new program will allow qualified homeowners to refinance into 40-year mortgage loans. The loans would come with an estimated 6.75 to 7.5 percent annual interest rate.

Levin said the New Jersey Housing and Mortgage Finance Agency would borrow the money to fund the program, and may expand the program later. Residents will not be able to borrow more than the value of their home, and they must be able to meet the monthly payments, Levin said.

The program would be fully paid by the borrowers over time and would not cost taxpayers any money, Levin said.

Levin said the program is designed to stem the rising number of foreclosures and help residents with weak credit histories who borrowed on adjustable-rate or interest-only loans in recent years. Many of those loans have adjusted higher with rising interest rates.

"Foreclosures hurt everybody," Levin said. "That means you have empty houses. It impacts the neighborhood."

Levin said agency loan officers would examine applicants' property values, employment and income, but will not be looking at credit scores. That's because the agency wants to help borrowers who temporarily fell into hard times, she said.

"Sometimes there's a bad credit history because of medical problems or they lost a job, not because they ignored something," Levin said. "There's a full range of circumstances here. The family where the main wage earner gets sick and now is back at work is different from the person who refinanced a lot of credit card debt."

Loans would be given only to applicants who earn up to 140 percent of the median household income in their county. That means the maximum allowable income would fluctuate from \$85,000 to \$135,000, Levin said.

Applicants will also be required to attend mortgage counseling to help them manage their finances in a better way.

State officials will negotiate with banks in an attempt to get banks to forgive a part of the loan that is being refinanced, especially if the property is no longer worth as much as is owed on it, Levin said.

"The lenders have to take ownership of this problem," Levin said.

James W. Hughes, a Rutgers University dean and an expert in regional economics, said the program would be a small assistance, providing loans to 120 to 200 households.

"It's not going to transform the housing market," he said. "Thirty million dollars is a tiny fraction, but for those households, this is a way of helping them."

The mortgage payments would still be significant. A \$200,000, 40-year mortgage loan at a 6.75 percent interest rate, with \$4,000 in property taxes and \$300 in property insurance, would come to a \$1,565 monthly payment, according to an online loan calculator.

New Jersey is not the first state to come up with a mortgage bailout program. Ohio has borrowed \$100 million to provide mortgage relief, and Pennsylvania has announced a \$25 million to \$50 million program, according to published reports.